

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORIES
(NPPC/USPS-T1-1 THROUGH 15)**

The United States Postal Service hereby files the responses of witness David Williams to the above-listed interrogatories of the National Postal Policy Council dated January 10, 2012. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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January 25, 2012

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-1 Assuming that service standards for First-Class Mail are revised as described in your testimony, please describe the measures that the Postal Service would implement to ensure the consistency of three-day mail delivery and to prevent mail subject to that standard from in fact receiving four- or five-day service.

RESPONSE

The Postal Service fully intends to utilize performance metrics and defined operational goals, to ensure the consistency of the service standards associated with the proposed mail processing network.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-2 Assuming that service standards for First-Class Mail are revised as described in your testimony, does the Postal Service anticipate that any First-Class Mail currently subject to a three-day delivery standard will change to a four-day or longer standard? If so, please describe.

RESPONSE

No.

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NPPC/USPS-T1-3 Assuming that service standards for First-Class Mail are revised as described in your testimony, what percentage of First-Class Mail does the Postal Service anticipate will be delivered:

- a. In four days?
- b. In five days?
- c. In more than five days?

RESPONSE

a-c. Under current service standards, approximately 0.3 percent of FY 2011 First-Class Mail volume going to and/or from Alaska, Hawaii and the U.S. territories, was subject to service standards that exceed three days. A similar percentage is expected if the proposed service standards are implemented.

The Postal Service acknowledges that some mail currently is not, and in the future will not be, delivered in time to meet applicable service standards. However, assuming implementation of the proposed service standard changes, the Postal Service has no method or basis for predicting the percentage of mail that, in the future network still being determined, would be delivered in four or five or more days because of a service failure.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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NPPC/USPS-T1-4 Assuming that service standards for First-Class Mail are revised as described in your testimony, what percentage of First-Class letter mail that currently receives overnight delivery would be expected to receive:

- a. Two-day delivery?
- b. Three-day delivery?

RESPONSE

Utilizing the potential changes depicted in USPS Library Reference N2012-1/8 which illustrate the nature and magnitude of service standard changes that could conceivably result, one could speculate the following results:

- a. 98.7%
- b. 1.3%

The degree to which service standards will actually change depends upon (a) the outcome of each AMP study, (b) what amendments to 39 C.F.R. Part 121 result from the market dominant product service standard rulemaking, and (c) any further modifications that result from consideration of the advisory opinion issued at the conclusion of this docket.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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NPPC/USPS-T1-5 Does the Postal Service intend to maintain a separate processing stream for remittance mail and caller service under the proposal in this proceeding?

RESPONSE

The Postal Service does not currently maintain a completely separate processing stream for remittance mail and Caller Service. Like other First-Class Mail, envelopes containing remittances and Caller service volume flow through the letter mail processing network and are tendered to recipients depending on the delivery mode they have elected. Some are delivered to street addresses. Most are delivered to Post Office Boxes. Some Post Office Box addressed mail is subject to Caller Service, under the terms of which it is aggregated at the destination plant and tendered to the recipient before reaching secondary operations and the delivery unit. Caller Service arrangements are a special service paid for by recipients, including recipients of bulk remittances. When implemented, the network rationalization plan under review in this proceeding will preserve these arrangements.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-6 Please describe the processing and delivery standards that would apply to remittance mail under the proposed service standards for First-Class Mail.

RESPONSE

Please see the response to NCCP/USPS-T1-5. First-Class Mail pieces containing remittances will be subject to the proposed service standards on the same terms as other First-Class Mail.

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NPPC/USPS-T1-6A Please describe the processing and delivery standards that would apply to Caller Service under the proposed service standards for First-Class Mail.

RESPONSE

Please see the responses to NCCP/USPS-T1-5 and 6.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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NPPC/USPS-T1-7 Has the Postal Service made any assumptions regarding whether Presort First-Class Mailers would alter their preparation and entry times if the Critical Entry Times were revised as proposed? If so, please state what assumptions the Postal Service has made. If not, please explain why not.

RESPONSE

No. The Postal Service has not formally surveyed presort First-Class Mail users nor has it estimated the degree to which behavior may change based on the optional entry times available to receive overnight service. We expect some presort mailers to enter volume by the Critical Entry Times to achieve the overnight service standards, we expect some mailers not to do so. The Postal Service currently has no information regarding the degree to which this will occur, and expects it to vary by location and by mailer.

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NPPC/USPS-T1-8 Has the Postal Service made any assumptions regarding what types and amounts of costs Presort First-Class Mailers would incur in altering their preparation and entry times if the Critical Entry Times were revised as proposed? If so, please state what assumptions the Postal Service has made. If not, please explain why not.

RESPONSE

No. The Postal Service currently does not have sufficient information about the operating costs for presort mailers (individually or in the aggregate) with which to estimate the costs that they might incur in altering their current mail preparation or entry patterns to meet the proposed CETs.

As part of the Advanced Notice of Proposed Rulemaking, the Postal Service specifically requested in Part IV of its request for comment:

The Postal Service requests comments on all aspects of the Proposal. In particular, the Postal Service solicits comments on the effects that the Proposal could have on senders and recipients of First-Class Mail, Periodicals, and Standard Mail, as well as any potential effects on users of other mail classes. Mail users are encouraged to comment on the nature and extent of costs or savings they might experience as a result of the changes described in this notice, as well as any additional possible benefits they foresee.

The Postal Service received mainly qualitative comments; however, no comments provided the Postal Service the ability to quantify such costs.

The Postal Service in its Proposed Rule also requested comments on the proposed revisions to 39 CFR Part 121. Comments related to costs on the industry are welcome and could potentially provide a basis for understanding any such impact.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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NPPC/USPS-T1-9 Is it your understanding that large Presort First-Class Mailers that prepare and mail statements and remittances typically do so on a once-a-month basis, on a rolling, continuous basis, or some combination of both?

RESPONSE

Some combination of both.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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NPPC/USPS-T1-10 Assuming that service standards for First-Class Mail are revised as described in your testimony, would metered mail be eligible for overnight delivery if entered by the 8 a.m. Critical Entry Time? If so, what conditions would metered mail be required to satisfy to attain to be eligible for overnight delivery?

RESPONSE

Metered Presort mail would have to meet the same requirements as stamped or permit imprint Presort mail.

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NPPC/USPS-T1-11 Assuming that service standards for First-Class Mail are revised as described in your testimony, would there be any changes from current Critical Entry Times for Presort First-Class Mail that would receive second- or third-day service? If so, please describe those changes.

RESPONSE

The Postal Service does not anticipate changing the current Critical Entry Times for Presort First-Class Mail that would be subject to second- or third-day service.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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NPPC/USPS-T1-12 Assuming that the mail processing network is adjusted in a manner generally consistent with the Postal Service's proposal in this proceeding, the Postal Service will have fewer mail processing facilities and fewer transportation routes than at present. Please describe how the Postal Service plans to overcome any potential disruptions to that smaller network that might be caused by natural disasters or Acts of God.

RESPONSE

See the institutional response APWU/USPS-T1-4. As with the current network, adjustments to the future network necessitated by natural disasters or Acts of God will depend on the location, nature, severity and projected duration of the consequences of such events.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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NPPC/USPS-T1-13 Assume that the Postal Service implements the proposal in this proceeding. What capacity would the Postal Service's network have thereafter to maintain First-Class Mail service standards if First-Class volumes increased by:

- a. 10 percent over current projections by FY2016?
- b. 20 percent over current projections by FY2016?
- c. 30 percent over current projections by FY2016?

RESPONSE

The Postal Service has designed its mail processing capacity based on Fiscal Year 2010 workload and volume. If the Postal Service utilizes the assumption that this percent increase suggested in a-c is over the projected volume of FY2016 which is currently forecast to be 53 billion vis-à-vis FY2010, the percentage of volume compared to FY2010 would be as follows:

- a. 86.5 percent.
- b. 90.1 percent.
- c. 94.1 percent.

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NPPC/USPS-T1-14 Assuming that the mail processing network is adjusted in a manner generally consistent with the Postal Service's proposal in this proceeding, the Postal Service will have fewer mail processing facilities than at present. This implies that remaining facilities would, on a per-facility basis, serve more 3-digit and 5-digit zones. Please discuss whether the Postal Service intends to allow mailers to make greater use of 5-digit/3-digit sort schemes in those facilities.

RESPONSE

The Postal Service believes additional 5-digit/3-digit sort schemes will be possible based on the expanded operating window, as well as the additional zones sorted at a single facility. These additional zones would be reflected in changes to labeling lists, as well as the city-state file and would be available for mailers.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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NPPC/USPS-T1-15 Has the Postal Service considered implementing a secure disposal program for Undeliverable As Addressed First-Class letters given the smaller number of mail processing facilities that it expects to have after implementation of the proposal in this proceeding?

RESPONSE

The Postal Service has not evaluated this concept specifically as part of the network rationalization proposal currently under review as part of this docket.

The Postal Service is evaluating the opportunity for a secure disposal program for undelivered as addressed mail. The Postal Service may consider how this program fits into a smaller mail processing network in the future.